

Summary of Health Management Associates’ Projected Savings Attributable to Health System Transformation through Coordinated Care Organizations

The Oregon Health Authority contracted with Health Management Associates (HMA) to conduct an independent analysis of opportunities to reduce Medicaid/Oregon Health Plan costs through the successful implementation of health system transformations proposed in HB3650, which created Coordinated Care Organizations (CCOs).

HMA is a national research and consulting firm specializing in complex health care program and policy issues. HMA has led and supported the design, development, implementation, and evaluation of large-scale health programs, including major new initiatives in Medicaid, Medicare, CHIP, long-term care, behavioral health, special populations, and programs for the uninsured. Recently, HMA staff collaborated with the Oregon Health Leadership Council to explore an innovative approach to serving Medicaid and uninsured individuals living in the metropolitan tri-county area.

Findings: Conservative projections show Coordinated Care Organization model can save up to \$3.1 billion in total costs over the next five years.

HMA estimated the likely effects of implementing HB3650 transformation initiatives using a conservative approach to how quickly local health systems and stakeholders will move to the CCO model. If local systems transform more quickly, the projected savings will come earlier. These estimates take into account investments needed to carry out the changes and only report savings that could be achieved after implementation costs are covered.

HMA’s model also considers the fact that our ability to achieve savings will build gradually over time. Even so, they predict that transformation could save \$155 to \$308 million (\$57 to \$114 million general fund) in total costs in the second year of the current biennium. This represents 4.9% to 9.7% savings.

Table 1: Annual and Biennial Projected Costs & Potential Savings, (\$ million)

State Fiscal Year / Biennium	Projected Cost without Transformation (TF)	Conservative Savings Estimates			High-End Savings Estimates		
		Projected Cost (TF)	Total Fund Savings	GF Savings*	Projected Cost (TF)	Total Fund Savings	GF Savings*
7/12 to 6/13	\$3,178	\$3,023	\$155	\$57	\$2,870	\$308	\$114
7/13 to 6/15	\$7,440	\$6,571	\$869	\$322	\$5,903	\$1,536	\$570
7/15 to 6/17	\$10,019	\$7,904	\$2,115	\$784	\$6,260	\$3,759	\$1,394
7/17 to 6/19	\$11,680	\$8,712	\$2,968	\$1,101	\$7,062	\$4,618	\$1,713

* assumes 2012 Federal Medical Assistance Percentage throughout time period

At the low-end range of savings estimates, HMA found that by implementing CCOs, Oregon could save \$3.1 billion in total costs for Medicaid (\$1.2 billion in general fund) cumulatively over a five-year period. This represents 15% of what the state would spend over the same five-year period if CCOs were not implemented.

Table 2: Cumulative Projected Costs & Potential Savings, (\$ million)

State Fiscal Year / Biennium	Projected Cost without Transformation (TF)	Cumulative Savings (Conservative)			Cumulative Savings (High-End)		
		Projected Cost (TF)	Total Fund Savings	GF Savings*	Projected Cost	Total Fund Savings	GF Savings*
7/12 to 6/13	\$3,178	\$3,023	\$155	\$57	\$2,870	\$308	\$114
7/13 to 6/15	\$10,618	\$9,594	\$1,024	\$380	\$8,773	\$1,845	\$684
7/15 to 6/17	\$20,636	\$17,498	\$3,139	\$1,164	\$15,033	\$5,603	\$2,078
7/17 to 6/19	\$32,317	\$26,210	\$6,107	\$2,265	\$22,095	\$10,221	\$3,791

* assumes 2012 Federal Medical Assistance Percentage throughout time period

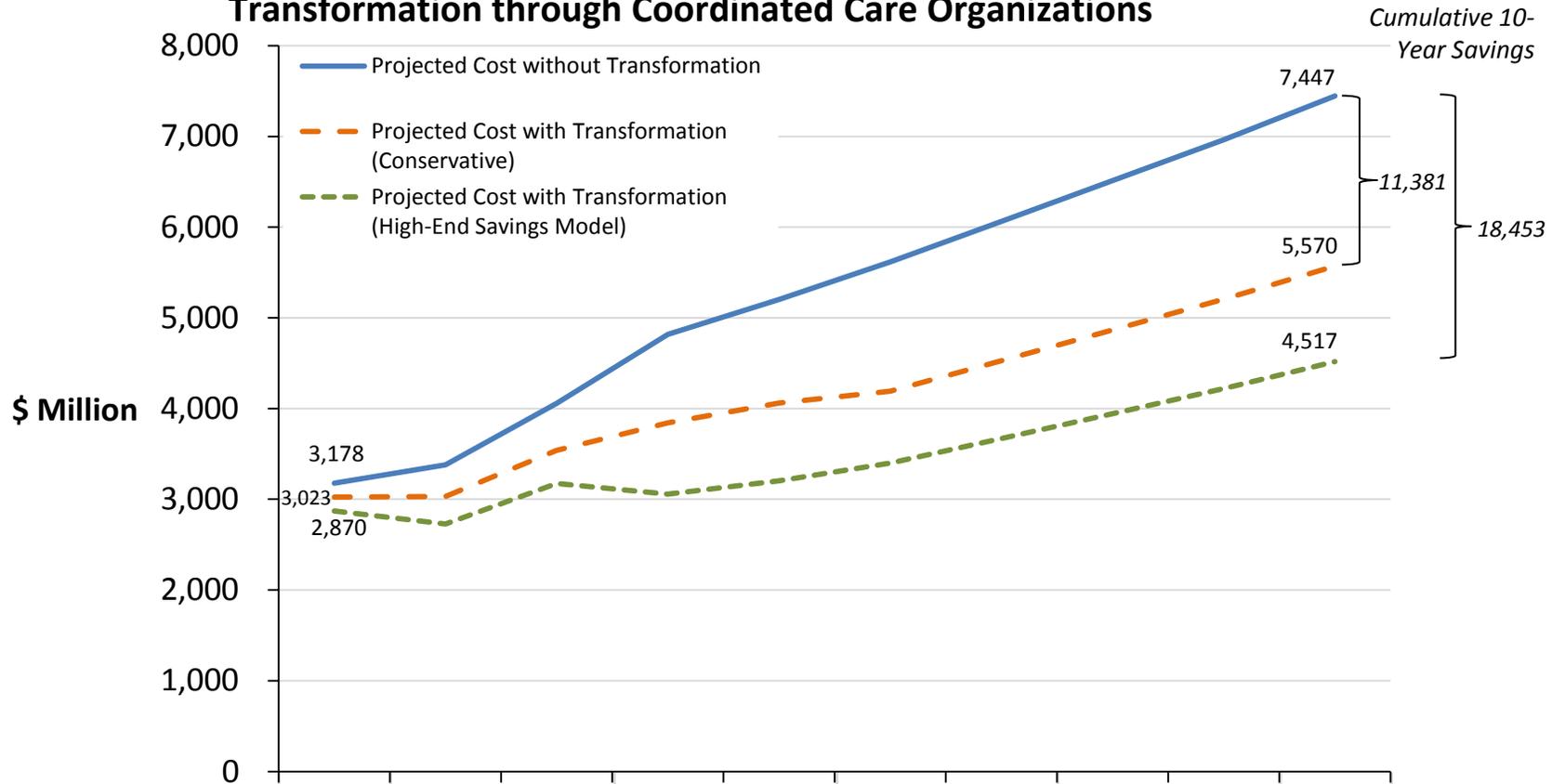
Without implementing transformation, HMA estimates that Oregon’s Medicaid costs will continue to surge at an average of 10% annual growth over the next seven years due to a combination of enrollment growth, increased utilization and inflation in the cost of medical products and services. This greatly exceeds the projected growth rate of general fund revenue.

To develop these estimates, HMA modeled the effects of

- coordinating physical and behavioral health care,
- better preventing and managing chronic diseases,
- utilizing patient-centered primary care homes,
- improving and aligning care for individuals who are eligible for both Medicare and Medicaid, and
- an increased number of eligible members in the Oregon Health Plan.

These initiatives will complement each other to achieve the projected savings. For example, the integration of physical and behavioral health care will depend largely on care coordination carried out in the primary care home setting. HMA believes that CCOs will be able to identify additional forms of savings that were not included in their estimates.

Health Management Associates' Annual Projected Savings Attributable to Health System Transformation through Coordinated Care Organizations



	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Costs w/o Transformation	3,178	7,440	10,019	11,680	13,474	7,447				
Costs w Transformation (Conservative)	3,023	6,571	7,904	8,720	10,069	5,570				
Costs w Transformation (High Savings)	2,870	5,903	6,260	7,068	8,165	4,517				
Annual Savings (Conservative)	155	869	2,115	2,961	3,405	1,877				
Annual Savings (High-End)	308	1,536	3,759	4,612	5,309	2,929				

Source: Health Management Associates

Notes: Health Management Associates' projections end in 2019. The 2019-2021 biennium and 2021-2022 state fiscal year were extended forward by the Oregon Health Authority by applying the growth rates in HMA's model.

